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NEW YORK, SATURDAY, JANUARY 12, 1889.

# TO STOP RAILROAD RUIN

A Demand that Corrupt Policies Shall Not Prevail.

THE SUN'S ATTACK JUSTIFIED.

Investors Denounce Slashing of Rates and Breaking Contracts.

mions from Capitalists, Bankers, and Merchants Upon the Needless Demoralisation Caused by Rechiess Presidents and Directors of Western Railways-A Rearly Unanimous Verdict That There Was No Exense for Cutting Rates in ember, 1887, Only to Raise Them Again After the Powerless Stockholders Had Lost \$40,000,000 - This Criminal Disregard Affects the Workingman as Well as the Millionaire-Calls for a Law to Arrest the Wreckers-The Effects of Parallel Lines, the Operation of the man Commerce Measure, and the madica Proposed-Emphatic Opinions

The mismanagement of the affairs of Westen and Southwestern railroads has been editorially denounced by THE SUN from time to time. It has been charged that the interests of stockholders have been ignored, and that by eriminal speculation, crooked manipulation, and adroit financiering the officers in power have played the part of thieves, and for their ewn aggrandizement depreciated the value of stocks and wrecked the roads whose affairs they were elected to supervise. In territory where there was no demand for more rallway lines, the guerillas of finance have entered, laid out parallel roads, broken into the business of the original company, and finally harassed it into purchasing the new and not needed route. Presidents and traffe managers have thrown roads into bankruptcy and compelled sales at prices far below stual values. When there was no reason for the magnates—directing properties of whose shares they held little or none-smashed rates and plunged into a traffic war which ruined the competing companies, demoralized business, and deprived the voiceless stockholder of the dividends that had been promised him when he bought the stock. The honest inrestors thus lost \$40,000,000-or more-and then the governors of other people's property restored the rates. In all-in every, financial department the controlling officers pursued olicies which ordinary prudence denounced; incompetency or outright rascality prevailed. and the result has been the ruin of the railroad as the field of legitimate investment.

So has THE SUN charged. And now come the investors to corroborate the accusation. The Presidents of banks, the merchants, the capime in this and other cities have been asked for their opinions as to the justice of THE Sur's criticism, and unanimously they sustain our position. They do not suare words of denelation; they do not besitate to name instances of corrupt management. They declare that there are thieves in the offices of directors as well as in the hiding places of the slums. and that the same law should be applied to the robber President as to the common offender. These observers whose comments have been obtained assert that the influence of the illegal use of authority by directors and they say that the results of wicked management fall upon the man of only comfortable fertune, and even upon the poor. They analyze the situation and discuss causes and propose emedies. Here is what they say.

## New Yorkers Have Radical Opinions, and

Advise Police Supervision. Mr. George C. Magoun, of the renowned banking firm of Kidder, Peabody & Co., said that THE SUN had presented the facts of the ase fairly and truthfully. and that it had been of great service in awaking public interest in the conduct of the railroad managers. "But everything is proceeding harmoniously now." he added. " and the railroad people have become convinced of the necessity for a change. am very happy to say that the representatives of the Western roads are now in full accord with the wishes of all interested in maintaining a paying schedule of rates. I have now no criticism to make. The Presidents of these Western railroads are not now in conflict with public sentiment. As a result of the confer-ences recently held to put rates on a paying basis. I believe that amendments to the Inter-State law will be made which will insist on heavier penalties against those who disobey the law. This will go a long way toward remedying past evils and promoting the present harmony and unanimity of sentiment for profitable rates. It is certain that the Presidents of the Western railroads are now trying to remedy the trouble. They see the result of their course, and fully sympathize with all the efforts made to bring about a better state of

Mr. W. L. Bull. President of the Stock Exchange, said he approved fully the course of Tax Sux. In his estimation all the statements and facts set forth in the various reports and editorial Stricles on Western railroad man-agement were sustained by the facts. "It has been said." Mr. Bull continued, "that some of the maladanicality of Wastern railroad the maladministration of Western railroad affairs has been due quite as much to blunderheadism as to downright dishonesty. But I am of the opinion that there has been more dishonasty than incompetence. How is such a hate of affairs to be remedied? Well, in the first place, the stockholders of the various ompanies should keep watchful eyes on their representatives and note the slightest evi-denose of dishonest purpose, and also be quick to punish it. It would be a good thing, also, to punish incompetence just as severely. In both be removed and their trusts given to spable and honest men. Then there should be in my opinion, a modification of the Interstate law so that a return to the old pooling arrangements could be effected. This would ore emphatically forbid a slashing of rates setueen the companies, and make a uniform schedule for all. As for the severe cut of rates in December, 1887, and the losses entailed by that action and the persistence in it. I know of he reason at all why such a state of affairs was agurated and allowed to exist. The general belief, though, among the friends with whom I have talked about the matter, is that here was some unnecessary railroad building

Further than this Mr. Bull did not care to state. Resaid he had many intimate friends smear the railroad managers, and it was no

intention of his to reflect on any of them. And what he had said was in a general way, and made necessary by the troubles.

Mr. Jesse Seligman of the big banking firm of J. & W. Seligman said very emphatically that he and his firm had been with The Sun from first to last in its crusade against dishonest railway management. He added that the firm had long been cognizant of the trouble and were thoroughly conversant with the facts bringing it about. "There is no doubt, said he, that some of the big railroad men have speculated in their own properties. There is also a story current, and it has been circulated for a long time, let me add, that some of these railroad managers have had a sort of combination with the powers of various construction companies. But I do not care to go into the details or speak too specifically concerning these stories. It is only necessary to know that there has been overbuilding of railroads in the West, and this is particularly so in the properties of the Chicago, Burilagton and Quincy and the Atchison, Toocka and Santa Fé. It may not be too strong to say that this overbuilding has been carried to the extent that in some parts of the West you can throw a stone from one road to another, both of different companies. The paralleling of these roads has done infinite damage. There has been dishonesty somewhere, but it is quite difficult to put your hand on it. You know the old axiom about there being firs where there is so much smoke. The difficulty is to find the bad men. But I can say that there is no honesty in agreements to do certain things one minute only to have them broken the next. I feel that there should be a law severely punishing railroad managers known to be dishonest to their corporations. I believe also that shippers who have countenanced such dishonest, and, in fact, by their acquiescence have promoted it, should niso be punished. But, in the

should be a law severely punishing railroad managers known to be dishenest to their corporations. I believe also that shippers who have countenanced such dishonesty, and, in fact, by their acquisecence have promoted it, should also be punished. But, in the first place, we must stop railroad building and stop letting the managers sign any and all kinds of agreements, which eventually become securities thrust upon the market."

Mr. Seligman also said that the conduct of the railroad managers, and the overbuilding had made investors timid, and their hesitation was particularly noticeable in banking circles. Mr. Geo. S. Coe. President of the American National Exchange Bank, said very decidedly that he was heart and soul with Tar Sun in its demand, in the interest of the public, that railroad rate slashing and the financial troubles incident thereto should cease. "The heavens and earth." Mr. Coe continued, "cry aloud that The Sun is right. But I should like to say that there is a broader significance to this railroad dishonesty. The trouble is not alone confined to the railroads. It does not alfect alone rich people, but the dishonesty and incompetence penetrate the whole social system. It finds its way to homes where a single bond represent, perhaps, the savings of a family. I repeat that any dishonesty on the part of the railroad managers is felt by almost every class of people in the United States. There are \$4.000.000,000 of railroad bonds out. And take those out of the investment world, and the Government bonds, and where can a man but his little savings? Of course they can go into the savings bank, but dishonesty on the part of the railroad managers and the incidental passing of dividends on the bonds will not permit the savings bank to roimburse their patrons for the use of their money. Most of the investments of the savings banks are in Government bonds and gift-edge railroad securities. They cannot afford, on the interest gained from the Government bonds and gift-edge railroad sond and real estate. I do not he recopie against mismanagement which re-fuces their incomes and causes dissatisfaction and distrust all around."

and distrust all around."

Mr. H. K. Enos, Vice-President of the Missouri, Kansas and Texas, said Tex Sun had been right from the start, but he believed that there are important elements in the trouble besides dishonesty. He dwelt upon the incompetence which he said had been so manifest in some of the Western railroad men. "I have often said," he remarked, "that reforms do not come from within but from without. And I believe at the present time that there is a decided pressure being brought to bear upon the inefficient as well as the dishonest railroad managers. When they are both out of the way the cure for the trouble will come. I said not long since, and I repeat it, that security holders must be more particular in the selection of their servants, and hold them to a stricter accountability. I again say that little is to be exand hold them to a stricter ac-I again say that little is to be extheir servants, and hold them to a stricter ac-countability. I again say that little is to be ex-pected from the railroad managers themselves, as any measure looking to reform leads to the curtailment of their privileges and opportuni-ties. The ultimate result from deliberate ras-cality and honest incompetency are the same-disaster. As to the safeguards to be thrown must protect investors. I believe the law is the up to protect investors. I believe the law is the only remedy. But for the present the roads will have to starve: the trouble has been so deep that nothing soundly beneficial will be felt until some of the roads are reorganized on a smaller capitalization. Railroads have been built where none were needed, and it has simply come down to a question of supply and demand and properly located investments. You cannot plant oranges where only potatoes can be grown, and neither can you gather roses from thistle bushes."

Mr. Forst thought that particular significance

Mr. Enos thought that particular significance should be given to the recent annual report of the Board of Raincad Commissioners of Kansas. From it he gathers that only the best located, the best managed, and best equipped lines in the Southwestern territory will be able to earn their fixed charges and that the weaker and poorer lines may, some of them, hardly earn operating expenses. To sustain his argument that there had been overbuilding in this section. Mr. Enos said that the report just referred to shows that within the past eight years, while the norulation of Kansas had increased only 22% per cent. the railroad mileage has within three years been increased more than 100 per cent. In his opinion these figures disclose one of the reasons, perhaps the chief, for the low rates and railway insolvency in the Southwest. Referring to the cut made in December, 1887. Mr. Enos said that the law of competition was more or less responsible for it. He remarked that in 1886 and 1887 there had been listed on the Stock Exchange twelve hundred millions of railroad securities, six hundred millions of railroad securities, six hundred millions of which went into construction for the 23,000 miles of railroad built in those two years. It was this conmous construction and everything incident thereto, Jister of the construction and everything incident thereto, Jister of the construction of the purpose than blackmail. I mention particularly the Chicago, Burlington and Northern. The different State laws are responsible for this speculation and lokekmail. I mention particularly the Chicago, Burlington and Northern. The different State laws are responsible for this speculation and lobekmail. I mention particularly the Chicago, Burlington and then force, by a reduction of rates disastrous to their neishbors, stronger companies to take care of them. This is the blackmail. They simply force others to buy the roads from them at a big price for self-protection.

Mr. H. T. Wilson, the banker, commenting upon The Sun's crusade against disho

secondly that rates should be reduced only upon reasonable notice, as is now required by the Inter-State Commerce law for advancing them, and also that the transportation lines should be allowed to divide percentages of business, subject, however, to the approval of the Inter-State Commerce Commission. It seems to me that as the Government has perhaps very wisely attempted to control and regulate commerce passing over the lines of common carriers, it thereby assumes the duty of protecting not only the patrons of the transportation lines, but the transportation lines as well; or, in other words, that it is, the duty of the Government to protect laike all classes of citizons. It would seem to be manifestly unfair to legislate for the protection of the public at the expense of so large a vested interest as is, and may hereafter be represented in transportation business, and any law which provents an Intelligent and fair cooperation, and causes the railroads to continue in an irremediable and ruinous competition, seems to me to be adverse to the duty and prerogative of government, which is to protect alike the property of every citizen. I am fully aware that the railroads are to a large extent responsible for mostif not all of the reatificity measures. me to be adverse to the duty and prerogative of government, which is to protect alike the property of every citizen. I am fully aware that the railroads are to a large extent responsible for most if not all of the restrictive measures in the existing laws, and the law is but an expression by the community of the need for the correction of admitted evils which existed in the transportation business. It was, however, with this as with everything else, not reasonable to suppose that it could be made perfect at the beginning; but it should be amended, and will, I believe, be perfected as the subject is discussed and better understood; and upon the press largely devolves the important matter of discussing it in a spirit of fairness, both to the people and to the transportation lines."

"Was there any excuse for the cut, in December, 1887, which caused a loss to the transportation companies of more than forty millions?"

"I do not think that there was any reason for it in the then existing business condition of the country. It resulted from the ruinous competition that supervened upon the enforcement of the provision in the Inter-State Commerce law abrogating pooling, and, while this has caused a very large loss to the trailways, I think it is an indisputable fact that it has not benefited the community as a whole in anything like the same proportion that it brought loss to the trainsportation companies. In fact, my experience in railroadinghas shown me that the people do not care so much for ruinously

Fancy the conduct of the Third and Sixth arenue horse railroad lines in this town cutting the rates because they happen to compete for business. Such dishonesty can only be prevented when owners come together, as they are now doing, and to follow it up by free discharges from the Presidents down to the brakemen. It seems to me that corporate capital has had a sufficient notice to quit by the action of Granger legislation. Nebraska to-day fixes a maximum rate for business which leaves very little profit for railroads already built. The marvel is that in the same paper announcing this decision is the notice of incorporation in the same State for another railroad to build 300 miles of railroad, to be placed under the control of shippers to fix rates via the Legislature. This Granger legislation, as well as THE Sun's exposure of the methods of Western railroad managers, remind me of Artemus Ward's trip across the continent. Mr. Ward reached the Indian Territory, and the Indians said. Welcome, pale faces, welcome! to the happy hunting grounds of the Indians continent. Mr. Ward reached the Indian Territory, and the Indians said, Welcome, pale faces, welcome! to the happy hunting grounds of the Indians, welcome! Then the Indians stole all their whiskey and blankets, and fled to the surrounding wilderness to conceal their emotions. Western Legislatures have invited railroads under liberal charters to come and develop their lands and build up their cities. They have offered county and town bonds as an encouragement. These are usually repudiated. Having secured the railroads, these Western legislators set to work to rob them almost completely of their earning power. The remedy for this abuse of legislative power is to withhold money from States which exercise it, letting the people who like that sort of disposition of their money build their own roads and cut their own throats. Referring to that cut of rates in 1887, it should be stated that 1,000 miles of unnecessary road had been built just at that very time. The managers of these roads were anxious to show that they had traffle to warrant that expenditure. They all pitched in to get an undue proportion of traffic, regardless of the rates, pointing to the volume of traffic instead of net results, and depending on book-keeping to hide the deficiencies. The traffle and the pretext were both too thin to last throughout the year, and the transparent fraud of the whole business is now so immense as to be seen by the most remote stockholder.

rates, pointing to the volume of traffic instead of net results, and depending on book-keeping to hide the deficiencies. The traffic and the pretext were both too hin to last throughout the year, and the transparent fraud of the whole business is now so immense as to be seen by the most remote stockholder. I believe that the safeguards necessary to protect shareholders and investors will now be quickly apparent, especially after the recent conferences between the Inter-State Commerce people and the rallroad men. I feel that now the discussion of these safeguards is too much of a tangle of law and of business for quick explanation. But it is now clearly manifest that where there is a will for better things the way will soon be found."

Mr. J. Edwards Simmons, President of the Fourth National Bank, said he had approved all along of the visorous exposure of disconest rallway management by The Sun. He was for a full exposure of all dishonesty, not only by rallroad corporations, but other corporations on whose success investing and saving people rely: "As for the romed," of the rallroad situation. Mr. Simmons said, there is only one in my opinion, and that is that dishonest and incompetent men should be dismissed on the spot when discovered and honest men put in charge. It matters not whether they are railroad Presidents, railroad directers, or employees in the very minor places. They should all be put out. I cannot speak of the safeguards to be thrown up for the protection of investors. That is for the lawyers to decide. It is a purely legal question, involving much thought. I should think, though, that amendments to the Inter-State law suggesting heavier penalties, and a more comprehensive system of agreement between the railroad people, would go a long way toward preventing railroad wrecking. As for inat disasters cut beginning in 1837, I ascribe it in a measure to the intense competition following the overbuilding of Western railroads which the managers and the directors of certain corporations permitted," Mr. S

management? Why, THE SUN cannot throw light where it is more needed, and where it will do more good.

"The most amazing thing that confronts a man in respect to railroad management." Mr. White continued, "in this country is the question how the managers run them as they do and keep out of State prison.

"I am looking and hooling for a spasm of honesty to seize the community, just as it did after the Tweed abuses in New York city and the Broadway Surface Hallroad steal, and in other instances, when there will be an honest verdict of condemnation and swift punishment of those railroad managers who are debauching their trusts and sacrificing their properties, which should be a sacred trust in their hands. Tweed and his ring never got away with as much money in his life as has been sacrificed in the past twelve months by the railroad managers in the Western systems alone. This has not probably been very largely wasted by desire to influence the stock market. It has been bet away and lost in gigantic games of bluff, in which the conceited upstarts whom an unkind fate had put in important stations fancied it was busines to fight with and knife their compating lines.

I think a penal statute ought to be enacted

making it a felony for a railroad officer or agent to do any act the direct and logical effect of which is to entail loss upon his company. Nobody should attempt to curb honorable and fair competition, but when, through malice, recklessness, or cupidity, the manager of a great public property fixes prices which must result in permanent loss to the property with which he is intrusted, there should be as speedy trial and punishment as you could obtain in the case of a New York boodle' Alderman.

result in permanent less to the property with which he is intrusted, there should be as speedy trial and punishment as you could obtain in the case of a New York boodle 'Alderman."

No good whatever has resulted in the protracted cut of thirteen months, commending in December 1887. Merchants have not been benefited by it because, through it all there was the element of uncertainty as to the stability and regularity of prices which is so important in computations of proper percentages in mercape much from the honest, able, and fearless accordations which The Sux has made and is making in this terrible abuse by reckless or heedless managers."

President Henry W. Cannon of the Chase National Bank, and formerly Comptroller of the Currency, said: "The efforts of The Sux to lay before the public some of the teasons why investments in railway securities have been in the past lew years discredited is highly creditable to the newspaper, and shows an insight into the situation which cannot but be useful in bringing about reform in these matters, in spite of the tremendous growth and rivairy of management in many of the great corporations has undoubtedly done harm. The fact that large profits could be made from construction, which are either covered into the Treasury of the roads for distribution in a manner which induces speculation in the securities, or hot individuals, stimulates enterprises of doubtful character.

"No other business could be conducted in the same manner as railroad affairs, investors in other securities, such as stock in banks, manufacturing and other corporations, insist that their managers shall not add to the capital, securities, or plant of their corporations; in the same manners of its would appear that some vigorous action must be taken by the holders of railway securities. The suggestion made by The Sux that ather managers had not united the minority interests, and the only remedy shareholders have against mistakes, abuses, overbuilding, and extravagant management is to obtain absolute control

ters are regulated by general law, the restric-tions of which have not been injurious to the business,"

### Baltimore Capitalists Denounce Cutting,

and Urge Stockholders to Act, BALTIMORE, Jan. 11 .- There is but one opinion among financiers and capitalists in this city with reference to the fight now being waged by THE SUN against the railroads whose dishonest methods have emptied the pockets of the stockholders. All of them agree that THE Sun is right, and that its course should receive the endorsement of every investor. Mr. John bankers, and the editor of the Weekly Railroad Circular, and a recognized authority on railroad matters generally, said that the stockholders held the remedy in their own hands, but the trouble was they would not make use of it. Instead of looking after their own interests by placing men in the Board who are as much concerned in the welfare of the road as are they themselves they allow their shares to be voted by proxy. It seems impossible to got them to-gether. "It is so with almost every corporation," said Mr. Hambleton. "I know that the average attendance at meetings to elect officers is not twenty per cent."

But do not the stockholders recognize the fact that their dividends are decreasing?" was asked.

asked.
"Of course they do, but they do not appear
to bother themselves about the remedy, and
just so long as they abstain from taking part
in the meetings and casting their votes intelligently instead of allowing others to act for
them met so long will the present state of af-

in the meetings and casting their votes intelligently instead of allowing others to act for them, just so long will the present state of affairs continue. Rates will continue to be cut, and they must suffer in consequence. Let them put men at the head of the corporation who will conduct the affairs of the road so that profit may accrue to the investors. They can do it if they wish."

Referring to the meeting that was to have been held Tuesday, Mr. Hambleton said that it had been adjourned till Thursday. "And in the mean time," said he. "the stock joubing will continue."

Mr. Enceh Pratt, City Finance Commissioner and President of the National Farmers' and Planters' Bank, said he saw no reason for the changes in rates, nor did he perceive where the roads were benefited. "The directors should see to it," said he, "that the officers of the company hold to any agreement they make, and hold them strictly accountable. The trouble is that too many of the large railroads are governed by chause. Take, for instance, the Rock Island and the Baltimore and Ohio. They conduct affairs to suit themselves. I hold stock in various roads trom which I have not received any dividend. It is all owing to the rulinous policy pursued in cutning rates. The railroads do not do any more business, while the earnings are materially cut down. inous policy pursued in cutting rates. The railroads do not do any more business, while the earnings are materially cut down. I think the Presidents of the roads should be compelled under a penalty to stand by any agreement that is made, and if, as The Sux suggests, an agent acts without proper authority he should be at once removed."

Mr. Donglas Thomas, President of the Merchants' National Bank, was inclined to the opinion that there was too much stock jobbing among railroad Presidents. They held easy, comfortable positions, at salaries ranging from \$25,000 to \$59,000 per annum, and not a few used their official positions to their personal advantage. They would depress the stock after having sold short, and immediately after be long on a booming market. He did not believe that an agent neted without the consent of his superior in authority, and even granted that, if he did, those above him were responsible for his actions. The great tripble was to elect officers who were interested in the affairs of the road. The stockholders appeared to take the least interest in an election. It was so in almost every corporation. Take his bank for instance, Thesslay the regular election to k place, and not one per cent, of the stockholders voted, and so it was in every large corporation. Feople buy stocks and bonds, put them away for safe keeping, and leave it to others to look after their investments.

and bonds, put them away for safe keeping, and leave it to others to look after their investments.

President Spencer in his last report touched on the subject, and said there was no real reason why railroads should not be so managed within perfectly legal and legitimate bounds as to preserve harmony and to produce those results which the owners have a right to expect.

The first requisite for the establishment of this confidence would seem to be a right curtailment of the rate-making power, confining it to officers whose responsibility can be clearly determined, and then that such agreements between railroad companies as can be legally made should be attended with some penalty for violation. Unless improved results are reached by these and other conservative and businessike methods, the managers will be held responsible and owners will likely seek security in combinations by ownership, until the Inter-State Commerce act may be followed by the creation of railway systems far more powerful than any hitherth existing, and this in turn may provoke additional legislation, under which it will be even more difficult to make adequate returns upon invested capital."

## Advice from Virginia for Small Sharehold-

RICHMOND, Jan. 11 .- Major John P. Branch, President of the Merchants' National Bank of Richmond, said: "I have long known that many of the Western railroads are very recklessly managed. Where the mismanagement has not come from the President or Board of Directors it is done by subordinate officers who are speculating in the market, or for the benefit of unscrupulous parties who wish to see the business demoralized so that they can reap their profits on the 'bear' side of the market And while gentlemen may agree to protect rates, and intend to do so, some of the sub-ordinates break them, and, while they

may lose their places for disobering orders, they make more than the difference by the pay they receive from stock jobbing. I have long been of the opinion that railroads need protection against each other, and Congress should pass laws giving the Inter-State Commission power to make rates, and make it a misdemeanor for any road to advance or reduce its rates without the consent of the Commission. It is not to the interest of the public that rates should be at a price below what will produce a fair return to the owners of the railroad property. Fair rates are necessary to keep the property in good order and to give fair returns to the owners. The public will clamor for roads where there are none, and make all sorts of protestations and promises, and as soon as the roads are built they make war on them. It is true that many of them have given ample returns, but many of them have never paid one cent of dividend, and how is the country to be developed unless railroads are built? And who is going to build them when there is no profit to the promoters? I am happy to state that this dishonest management does not exist, except in very rare cases, among Southern roads. I have never heard of any instance of cutting rates since the Southern Railway and Steamship

promoters? I am happy to state that this dishonest management does not exist, except in very rare cases, among Southern roads. I have never heard of any instance of cutting rates since the Southern Railway and Steamship Association was established, over ten years ago. This is a combination of all the roads and coastwise steamship lines in Virginia, North and South Carolina, Georgia, Alabama, and Tennessee. It is managed by a Commission, and all differences are settled by a Board of Arbitration.

"The Richmend and Danville, the Atlantic Coast Line, and the Seaboard Line have gone still further and have one traffic manager for all of these lines. These companies are distinct, and the expenses of management are very much curtailed by having one traffic manager. Cutting of rates cannot take place without the knowledge of the traffic manager. This gives confidence to the public in the bonds of Southern roads, many of which have advanced over 100 per cent. and the stocks 1,000 per cent. While the bonds of the best Southern roads are selling 15 per cent, cheaper than the bonds of the New England States, and 10 per cent, cheaper than those of the Northwestern States, I consider them equal, if not better, than anything in the market. Mest Southern roads show on the same mileage an increase for the past ten years of over 100 per cent, in gross earnings, and over 200 per cent, in tonnage."

Major James H. Dooley, a leading capitalist of Richmond, and largely interested in railroad matters, said: "I have seen the articles in The Sun containing strictures upon railroad management, and do not consider them too severe. The wars between railroads are generally wars upon the interests of the stockholders. They are frequently instigated by speculative motives, and very often by personal suite on the part of managers who are afflicted with the big head. These managers, forgetting that they are merely the agents of the obnoxious enemy, proceed to destroy the properties, get into controversies with each other, and, by way of fighti

# BUFFALO, Jan. 11 .- Dexter P. Rumsey,

one of the leading financial men of the city and well informed on the subject of railroad invest-"I think that the cutting of rates was en-

tirely unnecessary. There has been too much railroad building, and too many extensions. This might in a large degree account for the cutting. I have great doubts whether the present condition can be changed for the better until the powers to make or break rates are taken from subordinates. I think that is the simplest solution of the trouble. I would have the power taken entirely from the subordinate officials and let the responsibility rest with the Presidents of the several roads. The articles published in THE SUN will have the effect of calling the attention of the stockholders to this matter and will awaken them to their inter-

matter and will awaken them to their interests."

Gibson T. Williams of the Manufacturers' and Traders' Bank and formerly a director in the Erie Railroad said to night: "There are too many railroads, and that is one of the reasons for this cutting of rates. It is unfair to the stockholders, who suffer hadly, and should be stopped. The power to make rates should be taken from subordinates and vested in the Presidents of the various railroads. It should be taken from the understrappers any way, and if they violated orders a few dismissals would bring them to their senses. If the power was given to Boards of Directors it might do, but I telieve the President is the man, because he would be more directly interested. It does not seem to me as if great railroad interests should be run by men against the pocketbooks of the owners and without benefiting the public."

Mr. Williams said that railroad stocks ought to be tip-top investments, but now they are not, and this is due to rate cutting as much as investments.

### Union of Stock Owners and Appeal to the Inter-State Law Suggested,

MILWAUREE, Wis., Jan. 11.-Wherever THE SUN articles on the absolute use and An Evansville Demand that a Free abuse of power by the railroad Presidents and managers of the Western roads have been read, the justness of the propositions laid down are admitted and many people are outspoken in their denunciation of the reckless of \$40,000,000 during the past year, is serious railway management. E. P. Bacon said: "The great trouble is that railway managers are growing more and more autocratic. They engineer cuts and reductions of rates in accordance with previously laid plans to affect the stock market. They appear to be independent of everybody. They start in on a rate war. and when stocks have gone down far enough then an arrangement will be entered into, the war will cease, and stocks will go up. Then, again, managers go into this sort of thing through a desire to make their power felt. What the result will be is beyond seeing. Stockholders now have to suffer. but if they do it is their own fault. They have a remedy in the Inter-State Commerce bill. There is no doubt that this rate cutting and scalping is wrong and in violation of the law. If so, any stockholder can bring any railroad mapager before the Commission. A few fines of \$5,000 would work a radical change. Let the managers once teel that there is some powerto regulate them and there will be a stop to rate ware.

of \$5.000 would work a radical change. Let the managers once leel that there is some power to regulate them and there will be a stopto rate ware.

C. A. Chapin said: "There is no doubt that the Presidents and managers of railroads render themselves liable every time they, either through—conspiracy I was about to say—well. through a desire to show their power, or from a mistaken impression that their interests demand it, begin the cutting of rates. This is deporalizing, and affects every business man as well as the railroads, so that all are interected in putting a stop to this kind of work. The managers use their power autocratically, raising or lowering rates at their own sweet will. Their actions are nearly always governed by stock-jobbing operations. The Inter-state Commerce law seems to offer the only remedy. Will that reach the case? I think it will. It certainly might be tried by some stockholder who is not satisfied with the pittance of a dividend dealt out to him at the end of the year. I think one complaint would bring any railroad offs ial to time.

W. F. McLaren said: "I have seen extracts from The Sun atticles. Thoy will do a great deal of good. The almost absolute power wielded by railway managers in the matter of making and unmaking rates is very demoralizing. All classes of business feel it as well as the railroad. Now, people are not down on railroads, as some railroad officials assume, but they desire to have them administered fairly, conservatively, and justify, that they may be an element in building up rather than a demoralizing influence. It seems that a remedy may be found in the Inter-State law, for the law. Judgo Cooley thinks, if good for anything, ought to be able to grasp both sides of ine transportation problem. It ought to revent discriminations and unjust operations of other kinds. The country demands a remed

represent the wishes of the stockholders is not known. As they hold the proxies it is assumed they do. I don't see any remedy unless the stockholders combine and demand a change. They are not likely to do that, as they are seart tered here and there like sheep without a master."

An Indiana Man's Idea that Management is on a Very Low Plane.

INDIANAPOLIS, Ind., Jan. 11.—Volney T.
Mailott President of the Merchants' National Bank, has been a close observer of railway matters, and at several periods of his life had the active management of important lines of road. He thinks that the fault primarily lies in the overproduction of roads. It has been both easy and profitable to construct railways in the West. Much money has been made by professional railway builders. No matter whether the roads can be made profitable or not to the owners, the constructors always make it pay. Much deseit, underhanded work, and frequent blackmailing schemes figure largely in railway building. The people of every Western community seem ambitious to have a road. At the end of that period of decreasion, beginning in 1873 and lasting until 1875, they were easy victims to the railway constructor. During these years, while business was decreased, everybody was economizing and hoarding his savings. It was really a period of great prosperity; money began to accumulate at commercial centres. Some one got a corner on Hannibal and St. Joe, and the stock shot up. Some regretted that they did not the stock with an ambition to extend his lideate when devicted upon the dividends for an income is date other, and the the stock shot up of the short and in the end the stock shot upon the short and in the end the stock shot upon the short as a start an intended upon the dividends for an income is date when the dividends for an income is called upon the stock at a service was an an intended upon the stock at a service was an an i At the end of that period of depression, beginning in 1873 and lasting until 1875, they were easy victims to the railway constructor. During these years, while business was depressed, everybody was economizing and hoarding his savings. It was really a period of great prosperity: money began to accumulate at commercial centres. Some one got a corner on Hamibal and St. Joe, and the stock shot up. Some regretted that they did not think in time and purchase shares. They bought something else, however, and the West soon thereafter developed a ravenous appetite for more roads. The railway constructor's occupation had come again, and since that time thousands of miles of unpreditable railway have been built. Many of them are parallel lines, and the failure to make money honestly out of the various schemes is resulting in dishonest and demoralizing railway management.

Mr. Mallott alluded favorably to Charles

out of the various schemes is resulting in dishonest and demoralizing railway management.

Mr. Mallott alluded favorably to Charles Francis Adams's recently suggested schemes of a general railway clearing house. He said the idea first came to him from a freight manager named Hay. He is dead now, but twenty years ago, when living at Detroit, it was a hobby with Hay. He thought much about it, and in frequent conversations with Mr. Mallott had developed the clearing house scheme. Mr. Mallott says under such a system one can be held to rigid responsibility; under the present system of railroading this element is largely wanting, and demoralization and dishonest practices always obtain as a necessary result. Mr. Mallott thinks that stockholders should be protected by the Government, and that the Government should hold railway managers and everybody connected with railway schemes to very strict accountability, Government bondholders are securely protected; why not railway bondholders?

The Hon. John W. Murphy, capitalist, thinks that railway managers work on too low a plane, and that there is a woeful lack of commercial integrity. Their ambition seems to be simply to make money without scrutinizing the ways and means used. The manner in which stockholders are swindled is but little better than stealing. Some railroads are managed like fare banks—for revenue only.

"What do you think is the remedy?"

"My heavens, there is none, unless the business is transacted on a higher and more elevated plane. The idea and tone of railway management need thorough regeneration and reconstruction. Charles Francis Adams volced my sentiments precisely recently in his Boston speech."

San Francisco, Jan. 11 .- James G. Fair ald, when asked about stock-jobbing operations in railway management: "I have so re cently got out of all railway business that it cently got out of all railway business that it would not be the proper thing for me to criticise management now. In regard to smashing rates, I doubt if there is any remedy. The pooling method would be sufficient if railroads would keep faith. But they never have done that, and they never will. The only thing I can see for transcontinental roads is for each one to get its own through line, and then, each being independent of all the rest, fight it out. Of course this results in great loss to roads, but if they won't keep faith what else can they do?"

### Shareholders Must Act.

ALBANY, Jan. 11 .- Chauncey P. Williams Treasurer of the Albany Exchange Savings Bank, said he thought there should be some means by which the directors of railroads should be restrained from betraying the trust of the shareholders. The tendency toward speculation on the part of the directors of large railroad corporations, he said, was rapidly re-ducing positions of trust to a state of worthducing positions of trust to a state of worthlessness, and some means ought to be devised
for putting a sten to it. He had hoped that
the Inter-State Commerce law would remedy the evil, but it had thus far failed
to do so. "It is well known," he said,
"that railroad directors may by combination manipulate the stocks of a road in
a way that wil accrue greatly to their profit at
the expense of the stockholders. It is certainly a condition of affairs warranting their
combining for protection." He cited the case of
the English shareholders of the Chicago and
St. Paul road last fall, in which they united to
protect themselves and the road from the alleged mismanazement of its directors, and, upon
securing sufficient stock to control the affairs
of the road, threatened to revolutionize things
unless there was a change in the method of doing business. Legislative enactment would
not, in his opinion, do as much to effect a
change as would organized action on the part
of the stockholders.

An Evansville Demand that a Free Con-

## gress Enuct Corrective Laws.

EVANSVILLE, Ind., Jan. 11.—The agitation of the question of railroad stock jobbery. whereby stockholders have been mulcted out National Bank, one of the wealthiest and most influential financiers in the city, said:

"The evils of this destructive power of the great railroad systems are engendered in their license to place such vast artificial values upon their properties and the watering of their stock at their own sweet will. So long as this is tolerated just so long can they play the usurer with the public, and intrench themselves more strongly and invilnerably behind illegally obtained wealth. The stockholder has recourse, but is completely at the mercy generally of one or two men who manipulate the system. The only remedy lies in arousing the masses of the people, the great producers, merchanis, and traders to a due appreciation of the enermity of the outrages which they are made to suffer daily in the way of exorbitant freight and massenger rates. Let them once become impressed with the real fact of the situation and no power of money can stay the sweep of their indignation in the enactment of corrective laws through pledged legislators. There is no reason why the law should not regulate railroad rares and freights as closely and rigidly as it does the rates of interest upon money, and treat as usury any intringement of the same. The whole remedy lies in the enactment of strict laws by a Congress absolutely free from any baneful railroad influence, and such a Congress can and will be secured if the masses of the people are once fully aroused to this question."

S.P. Gillett. President of the Citizens' National Bank, said: "The great trouble connected with this question is the presence of too many railroads in unprofitable localities. They fall into the bands of the railroad princes, who the great sacrifice of the smaller stockholders. They find themselves in a position where they must make money to pay interest on their boods, and they will do this one way or another. The luter-state Commerce Commission should afford some remedy, but it would seem that the present status of that remedial measure has really complicated the situatio

side remedy can be applied. "The fault." said | To-morrow's Sunday Star, Only 3 Cents, he. "is that many roads are in the hands of men whose pride it is either to become sudden millionaires or to rank as railroad kings. They manage to get control of the majority of the stock, and then the minority stockholders are at their mercy. The railroad President instead of advancing the interest of

PRICE TWO CENTS.

DENVER, Col., Jan. 11 .- D. H. Moffatt, President of the First National Bank, is the only extensive stockholder in Denver. He holds over 300,000 shares in Rock Island, 150,000 in Santa Fo and Missouri Pacific, and several hundred thousand more in the Denver. Texas and Fort Worth. When his views were asked regarding the present situation he said: Regarding what in my opinion would be a good remedy, I could not suggest anything better than a few lines which recently attracted my attention, and are as follows: The fact is that railroad abuses and losses to investors are largely due to the failure of security holders to exert their rights, and are still more largely due to the failure of leading officials to perform their duties and to exact obedient and faithful services from their subordinates. Reform in railroad management can only be secured by the more faithful and efficient discharge by all responsible parties of the duties confided to thom. Investors can hold the leading officials to stricter account, and these officials will then in turn exact greater fidelity from their subordinates. Now, these lines to see my sentiments, for there will be no change in the present management of affairs until some of the many stockholders discontinue sending proxies to the annual meetings and leasen the authority of the governing officials. Another great difficulty is that nine-tenths of the stock, say of the Rio Grande for instance, is held in England. It is just the same with other roads, and how can there be any change in affairs if this continues. This, in my opinion, was the cause of the shameful smash of rates in December, 1887, which resulted in a loss of many millions of dollars to railway stockholders. I have seen several copies of The Sun in which mention is made of the numerous wrongs practised upon stockholders, and desire to have you quote me as saying that I heartily approve of the course that paper is pursuing in the exposure of these wrongs. I have experienced the same difficulty with the little line of which I am President, owing to the sonding out here by Eastern directors of railroad men to run their roads in this State who are in no way capable of managing any line. Daily I am in receipt of information how rates are cut in violation of the Colorado agreement, and when the cutters are called to account it is second nature with them to deny everything. No, there will be no change from the present state of affairs until the stoc better than a few lines which recently attracted my attention, and are as follows: 'The

### ing Mere Railroad Robbery. LOUISVILLE, Ky., Jan. 11 .- The moneyed

men of Louisville and those who are intrusted

with the funds of others for investment are in

entire accord with the criticisms upon the management of many of the great railroad corporations of the country. Mr. Theodore Harris, President of the Louisville Banking Company and of the Louisville Southern Ballroad, said: "I have read some of THE SUN articles on railroads, both in that paper and reprinted in others, and I endorse them throughout, I am now a ratiroad man myself, having been recently elected President of a Kentucky line, but that does not alter my views at all. The reckless management of railroads does more than anything else to disturb the tone of finances in this country. Stock jobbing is, of course, the principal evil, and ruinous and causeless rate wars are usually brought on by those who wish to manipulate the stock to their own advantage These men, as speculators on Wall street, and, thoroughly versed in the intricacies of so-called railroad finance, hold the poor stockholders at their mercy. They rob them as they choose. The prosperity of the road is a very small concern, for usually it is one advantage to them to run down its earnings and depreciate its physical condition. Then they can send it into banksides robbing the stockholders," continued Mr. Harris, "this injures us as a nation. A great part of the money which builds our railroads comes from Europe, from England, and Holland. These people have been bitten so often by railroad sharks that they are growing very

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